

VZCZCXRO4149
RR RUEHAST RUEHBI RUEHCI RUEHDBU RUEHLH RUEHPW
DE RUEHTA #2061 2080839
ZNR UUUUU ZZH
R 270839Z JUL 07
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC 0218
INFO RUCNCLS/SCA COLLECTIVE
RUEHMO/AMEMBASSY MOSCOW 1452
RUEHBJ/AMEMBASSY BEIJING 0009

UNCLAS ASTANA 002061

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR SCA/CEN - O'MARA; USTR - HAFNER, ERRION

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [EFIN](#) [WTRO](#) [WTO](#) [KZ](#)

SUBJECT: KAZAKHSTANI OFFICIALS LUKEWARM TO DEMARCHE ON WTO ACCESSION
BILATERAL SERVICES NEGOTIATIONS

REF: State 94657

1. Summary:(SBU) Charge delivered reftel demarche to Minister of Labor and Social Protection Gulzhana Karagusova, Minister of Energy and Mineral Resources Baktykozha Izmukhambetov, and Deputy Chairman of the Financial Supervision Agency Gani Uzbekov. While the responses ranged from friendly but technical (Karagusova) to respectful but aggressive (Izmukhambetov) to plainly unreceptive (Uzbekov), it is difficult to judge reliably the likelihood of these officials relaxing their stances as a result of the discussions. Uzbekov, perhaps, summed it up best: "in the end, it's a political decision, either by the President or the Prime Minister." End Summary.

2. (SBU) In a very diplomatic tone and in highly technical terms, Karagusova explained why she was "surprised" by the notion that progress has stopped in the bilateral services negotiations. She spoke of Kazakhstan's offer on labor being quite fair and, in various aspects, being superior to Russia's. She mentioned her Ministry's flexibility on some areas highlighted by the USTR. But, she stated, "we need to foster development of young specialists" in Kazakhstan. "Unfortunately," Karagusova remarked, "our borders are not with the U.S.," alluding repeatedly to Russia and China, Kazakhstan's two "big neighbors." Still, she expressed willingness to adopt some USTR recommendations and said, somewhat cryptically, at the end of the conversation, "This fall, when Ms. Aitzhanova [Zhanar Aitzhanova, Deputy Minister of Industry and Trade and WTO accession chief negotiator] resumes services negotiations, there will be no Mode 4 problems." (Note: Karagusova recently joined the pro-presidential Nur Otan party and now appears on the party's roster of candidates for the August 18th parliamentary election. This is a strong indication that her days as Labor Minister may be numbered. In response the Charge's question on her future plans, Karagusova (with some apparent bitterness in her voice) remarked that everything now is up to "God and the President." End note.)

3. (SBU) Energy Minister Izmukhambetov began his response to Charge's points by graciously acknowledging the role the U.S. investors have played in the history of independent Kazakhstan. "U.S. and Russia," he stated, "are our main partners," adding later that "with Russia, as well as China, we are neighbors; thus, our interests [with them] do not always coincide." Izmukhambetov, however, appeared to concede nothing when he turned to the terms of Kazakhstan's WTO accession. "As far as services," he said, "we are no worse than Russia on any issue." Turning to energy specifically, he added, "Our terms are much more favorable than Russia's, with whom you have already signed. So, what's the problem?" He went on to state that U.S. energy companies have no problems operating in Kazakhstan, adding, however, "today we want investors here not just to take our oil but to help us: train our staff, develop technology in Kazakhstan." "I have a request," Izmukhambetov continued, "if there are specific issues, please provide them in writing. I will talk to Aitzhanova as well... We would like to accede with Russia.

If we fall behind, it will cause major problems. It's in your interests, too, since no one is as involved in our economy as you are." Izmukhambetov echoed Karagusova in expressing the Kazakhstanis' main concern with the accession: "We know we won't get twenty million U.S. workers and become 'dissolved.' We can't be sure of that with some other countries."

14. (SBU) Commenting on financial services, Financial Supervision Agency (FSA) Deputy Chairman Uzbekov displayed little willingness to compromise. The FSA, he said, met with Aitzhanova two weeks ago and is now discussing what kind of new offer it can come up with. "In our opinion," Uzbekov stated, "the financial sector is already liberalized... You may not feel we are doing enough; in my - and our - opinion, we are doing too much." Remarking on "very tough" negotiations with the E.U., Uzbekov bemoaned lack of appreciation "by the other side" of Kazakhstan's "significant" concessions. "There is talk as to whether we need to join the WTO. There is no real analysis as to what we will gain [from joining]." He stressed that the FSA is presently involved in "very tense discussions" with the Kazakhstani private sector, which has grown concerned, having realized that the WTO accession is imminent. Turning to specifics, Uzbekov described the U.S. offer of a two-year transition period as "unacceptable." "At the end, of course," he added, "it's a political decision."

MILAS